



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ROWAN COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ROWAN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Rowan County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$1,883,454 from the prior fiscal year, resulting in a cash surplus of \$2,076,912 as of June 30, 2000. Revenues increased by \$6,810,959 from the prior year and disbursements increased by \$8,863,222.

Debt Obligations:

Total bonded debt principal as of June 30, 2000, was \$3,213,000. Future collections of \$4,048,384 are needed over the next twelve years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$889,000 as of June 30, 2000. Future principal and interest payments of \$ 1,006,579 are needed to meet these obligations.

Report Comments:

No reportable conditions existed.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary,

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Clyde A. Thomas, Rowan County Judge/Executive

Members of the Rowan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Rowan County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Rowan County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Rowan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Rowan County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary,
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Clyde A. Thomas, Rowan County Judge/Executive
Members of the Rowan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2000 on our consideration of Rowan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 6, 2000

ROWAN COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Clyde A. Thomas	County Judge/Executive
Mary Anna Pecco	Magistrate
Jerry L. Flannery	Magistrate
Troy D. Perkins	Magistrate
Nick A. Caudill	Magistrate

Other Elected Officials:

Harvey T. Pennington	County Attorney
Donald K. Hall	Jailer
Jean W. Bailey	County Clerk
James Barker	Circuit Court Clerk
Jack Carter	Sheriff
C.J. Baker	Property Valuation Administrator
John P. Northcutt	Coroner

Appointed Personnel:

Kerry M. Jessee	County Treasurer
Charles F. Stansbury	Occupational Tax Collector
Maryann Stevens	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

ROWAN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 1,236,071	
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Road and Bridge Fund:

Cash	60,461	
------	--------	--

Jail Fund:

Cash	66,573	
------	--------	--

Disaster and Emergency Services Fund:

Cash	6,982	
------	-------	--

Payroll and Occupational Tax Fund:

Cash	324,161	
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Investments	80,841	
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Payroll Revolving Account - Cash	1,783	\$ 1,776,872
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Special Revenue Fund Type

Forest Fund:

Cash		207
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Debt Service Fund Type

County of Rowan Properties Corporation Fund:

Courthouse Debt Reserve - Investments	\$ 169,943	
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Courthouse Bond Paying Account - Cash	98	
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Detention Facilities Debt Reserve	128,620	
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Detention Facilities Bond Paying Account	2,504	
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Courthouse Improvement Construction Bond - Cash	445	
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Courthouse Improvement Construction - Cash	5	
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Bond Escrow Account-Investments (Note 5C)	1,005,000	1,306,615
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The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 2000
(Continued)

Other Resources

General Fund Type

Road and Bridge Fund:

Amounts to be Provided in Future Years for Kentucky Association of Counties Leasing Trust Agreement Principal (Note 6)		\$	889,700
---	--	----	---------

Debt Service Fund Type

County of Rowan Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal Payments	\$	2,911,385	
Loan Receivable (Note 4)		<u>51,219</u>	<u>2,962,604</u>

Total Assets and Other Resources		\$	<u>6,935,998</u>
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Liabilities and Fund Balances

Liabilities

General Fund Types

Road and Bridge Fund:

Kentucky Association of Counties Leasing Trust Agreement (Note 6)	\$	889,700	
Payroll Revolving Account - Cash		<u>1,783</u>	\$ 891,483

Debt Service Fund Types

County of Rowan Properties Corporation Fund

Courthouse Bond Principal Not Matured (Note 5A)	\$	248,000	
Detention Facilities Bond Principal Not Matured (Note 5B)		1,100,000	
Road Improvement Bond Principal Not Matured (Note 5D)		1,865,000	
Bank Loan (Note 4)		<u>51,219</u>	<u>3,264,219</u>

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

General Fund Type

Disaster and Emergency Services Fund	\$ 6,982	
Payroll and Occupational Tax Fund	<u>405,002</u>	\$ 411,984

Special Revenue Fund Type

Forest Fund		207
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Debt Service Fund Type

County of Rowan Properties Corporation Fund- Bond Escrow Account - Investments		1,005,000
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Unreserved:

General Fund Type

General Fund	\$ 1,236,071	
Road and Bridge Fund	60,461	
Jail Fund	<u>66,573</u>	<u>1,363,105</u>

Total Liabilities and Fund Balances		<u>\$ 6,935,998</u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

ROWAN COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	<u>General Fund Types</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 5,842,409	\$ 1,193,100	\$ 1,115,644	\$ 686,046
Transfers In	3,486,766	1,680,471	1,020,709	195,000
Total Cash Receipts	<u>\$ 9,329,175</u>	<u>\$ 2,873,571</u>	<u>\$ 2,136,353</u>	<u>\$ 881,046</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,936,542	\$ 1,664,385	\$ 1,657,294	\$ 770,950
Schedule of County of Rowan Properties Corporation Fund Expenditures	3,933			
Transfers Out	3,486,766	893,333	254,815	122,439
Bonds:				
Principal Paid	413,000			
Interest Paid	173,033			
Borrowed Money Repaid	4,355			
Kentucky Association of Counties Leasing Trust - Principal	195,000		195,000	
Total Cash Disbursements	<u>\$ 11,212,629</u>	<u>\$ 2,557,718</u>	<u>\$ 2,107,109</u>	<u>\$ 893,389</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (1,883,454)	\$ 315,853	\$ 29,244	\$ (12,343)
Cash Balance - July 1, 1999 (a)	<u>\$ 3,960,366</u>	<u>\$ 920,218</u>	<u>\$ 31,217</u>	<u>\$ 78,916</u>
			(b)	
Cash Balance - June 30, 2000 (a)	<u>\$ 2,076,912</u>	<u>\$ 1,236,071</u>	<u>\$ 60,461</u>	<u>\$ 66,573</u>

(a) Cash Balance Includes Investments

(b) County Treasurer increased July 1, 1999 Road Fund balance by \$75 for prior year voided checks

(c) July 1, 1999 balance in County of Rowan Properties Fund adjusted due to miscalculation in prior year

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

General Fund Types			Special Revenue Fund Types		
Local Government Economic Assistance Fund	Disaster and Emergency Services Fund	Payroll and Occupational Tax Fund	Community Development Block Grant Fund	Forest Fund	Appalachian Regional Commission - Water Storage Grant Fund
\$ 23,482	\$ 30,686 20,498	\$ 2,045,324	\$ 305,972	\$ 925 800	\$ 393,224
\$ 23,482	\$ 51,184	\$ 2,045,324	\$ 305,972	\$ 1,725	\$ 393,224
\$ 24,024	\$ 46,826	\$ 120,299	\$ 305,972	\$ 1,604	\$ 393,224
17,718		2,124,477			
\$ 41,742	\$ 46,826	\$ 2,244,776	\$ 305,972	\$ 1,604	\$ 393,224
\$ (18,260)	\$ 4,358	\$ (199,452)	\$	\$ 121	\$
\$ 18,260	\$ 2,624	\$ 604,454	\$	\$ 86	\$
\$	\$ 6,982	\$ 405,002	\$	\$ 207	\$

The accompanying notes are an integral part of the financial statements.

ROWAN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

	Capital Projects <u>Fund Type</u>	Debt Service <u>Fund Type</u>
		County of Rowan Properties Corporation <u>Fund</u>
<u>Cash Receipts</u>	<u>Bond Proceeds Fund</u>	
Schedule of Operating Revenue	\$ 25,433	\$ 22,573
Transfers In		569,288
Total Cash Receipts	<u>\$ 25,433</u>	<u>\$ 591,861</u>
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,951,964	\$
Schedule of County of Rowan Properties Corporation Fund Expenditures		3,933
Transfers Out	73,984	
Bonds:		
Principal Paid		413,000
Interest Paid		173,033
Borrowed Money Repaid		4,355
Kentucky Association of Counties Leasing Trust - Principal		
Total Cash Disbursements	<u>\$ 2,025,948</u>	<u>\$ 594,321</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (2,000,515)	\$ (2,460)
Cash Balance - July 1, 1999 (a)	<u>\$ 2,000,515</u>	<u>\$ 304,076</u>
		(c)
Cash Balance - June 30, 2000 (a)	<u>\$</u>	<u>\$ 301,616</u>

(a) Cash Balance Includes Investments

(b) County Treasurer increased July 1, 1999 Road Fund balance by \$75 for prior year voided checks

(c) July 1, 1999 balance in County of Rowan Properties Fund adjusted due to miscalculation in prior year

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Rowan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the County of Rowan Properties Corporation Fund and the Jail Canteen Fund as part of the reporting entity.

Additional - Rowan County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Rowan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Rowan County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Rowan County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Disaster and Emergency Assistance Fund, and the Payroll and Occupational Tax Fund.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Community Development Block Grant Fund, Forest Fund, and the Appalachian Regional Commission - Water Storage Project Grant Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Capital Projects Fund Type

Capital Project Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Bond Proceeds Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

4) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest, and include funds for the County of Rowan Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Rowan County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Note 1. D. Legal Compliance - Budget (Continued)

Formal budgets are not adopted for the County of Rowan Properties Corporation Fund (Debt Service Fund Type) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered a related organization of Rowan County Fiscal Court: Rowan County Ambulance Board.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

ROWAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name.

<u>Types of Investments</u>	<u>Category 1</u>	<u>Carrying Amount</u>
U.S. Treasury Bills	\$ 80,841	\$ 80,841

Note 4. Short-Term Debt

The County of Rowan Properties Corporation Fund entered into a loan with Firststar Bank for the purchase of a building. The loan requires a monthly payment of \$561 for 180 months, to be paid in full April 21, 2011. The principal balance of the agreement was \$51,219 as of June 30, 2000. The County of Rowan Properties Corporation Fund has entered into a lease-purchase agreement for the building with Rowan County Fiscal Court and Rowan County Fiscal Court has subleased the building to DOVES of Gateway. The loan, lease-purchase, and sublease are under the same terms.

ROWAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 5. Long-Term Debt

Bonds outstanding of the County of Rowan Properties Corporation Fund are:

- A. On March 1, 1988, the County of Rowan Properties Corporation issued \$1,711,000 of revenue bonds for the purpose of courthouse renovation. The bonds require semiannual interest and principal payments to be made on April 1 and October 1 of each year commencing October 1, 1988. The bonds will mature April 1, 2001. As of June 30, 2000, the principal amount outstanding is \$248,000. Bond payment for the remaining year is:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2000-2001	<u>\$ 14,175</u>	<u>\$ 248,000</u>

- B. On September 1, 1997, the County of Rowan Properties Corporation issued \$1,285,000 of revenue bonds for the purpose of defeasing the 1991 bond series issue. The 1991 bonds were originally issued to finance construction of the Rowan County Detention Center. The refunding bonds were dated September 1, 1997, with the requirement that semiannual interest payments be made on March 1 and September 1 of each year commencing March 1, 1998. One principal payment will be due on March 1 of each year commencing March 1, 1998. The bonds will mature March 1, 2012. As of June 30, 2000, the principal amount outstanding is \$1,100,000. Bond payments for the remaining years are:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2000-2001	\$ 55,154	\$ 70,000
2001-2002	51,690	75,000
2002-2003	47,978	75,000
2003-2004	44,266	80,000
2004-2005	40,266	85,000
Through 2012	<u>150,854</u>	<u>715,000</u>
Totals	<u>\$ 390,208</u>	<u>\$ 1,100,000</u>

- C. The County of Rowan Public Properties Corporation issued the 1991 bond series for the purpose of financing construction of the Rowan County Detention Center. On September 1, 1997, refunding bonds were issued for the purpose of defeasing the 1991 bond series issue. As of June 30, 2000, the principal balance outstanding on the 1991 bond series issue was \$1,005,000 and is represented by a reserved fund balance and investments in that amount.

ROWAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 5. Long-Term Debt (Continued)

- D. On June 15, 1999, the County of Rowan Properties Corporation issued \$2,035,000 of revenue bonds for road improvements. The bonds require semiannual interest and principal payments to be made on June 1 and December 1 of each year commencing on December 1, 1999. The bonds will mature June 1, 2009. As of June 30, 1999, the principal amount outstanding is \$1,865,000. Bond payments for the remaining years are:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2000-2001	\$ 80,693	\$ 175,000
2001-2002	73,255	180,000
2002-2003	65,605	190,000
2003-2004	57,530	195,000
2004-2005	49,242	205,000
Through 2009	<u>104,676</u>	<u>920,000</u>
Totals	<u>\$ 431,001</u>	<u>\$ 1,865,000</u>

Note 6. Kentucky Association of Counties Leasing Trust Agreements - Capital Leases

- A. Rowan County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The agreement requires variable monthly payments for 132 months to be paid in full January 30, 2003. The principal balance of the agreement was \$329,000 as of June 30, 2000.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 18,264	\$ 104,000
2002	11,482	109,000
2003	<u>4,326</u>	<u>116,000</u>
Totals	<u>\$ 34,072</u>	<u>\$ 329,000</u>

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 6. Kentucky Association of Counties Leasing Trust Agreements - Capital Leases (Continued)

- B. Rowan County entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for road improvements. The agreement requires variable monthly payments for 114 months to be paid in full January 30, 2005. The principal balance of the agreement was \$560,000 as of June 30, 2000.

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 31,199	\$ 101,000
2002	23,890	107,000
2003	15,267	112,000
2004	9,563	117,000
2005	<u>3,588</u>	<u>123,000</u>
Totals	<u>\$ 83,507</u>	<u>\$ 560,000</u>

Note 7. Jail Canteen Fund

Jail Canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, cigarettes, etc., to inmates incarcerated in the local jail. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. Also applicable to Canteen operations are KRS 68.210 and Technical Audit Bulletins 93-002 and 97-001. KRS 68.210 requires the jailer to maintain minimum accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide further accounting and expenditure guidance for acceptable Jail Canteen operations.

During the Fiscal Year Ending June 30, 2000, the Rowan County Jail Canteen received \$19,807 and expended \$22,274. The Jail Canteen reported June 30 ending balances of \$30,247 and of \$27,780 for 1999 and 2000 respectively.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

ROWAN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 890,867	\$ 1,193,100	\$ 302,233
Road and Bridge Fund	1,021,486	1,115,644	94,158
Jail Fund	565,169	686,046	120,877
Local Government Economic Assistance Fund	25,100	23,482	(1,618)
Disaster and Emergency Services Fund	26,820	30,687	3,867
Payroll and Occupational Tax Fund	1,916,000	2,045,324	129,324
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	404,048	305,972	(98,076)
Forest Fund	900	925	25
Appalachian Regional Commission- Water Storage Grant Fund	457,600	393,224	(64,376)
<u>Capital Projects Fund Type</u>			
Bond Proceeds Fund	25,000	25,433	433
Totals	<u>\$ 5,332,990</u>	<u>\$ 5,819,837</u>	<u>\$ 486,847</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,332,990
Add: Budgeted Prior Year Surplus			3,166,336
Less: Other Financing Uses			<u>(764,324)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 7,735,002</u>

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SCHEDULE OF OPERATING REVENUE

ROWAN COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

GOVERNMENTAL FUND TYPES

<u>Revenue Categories</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Capital Projects Fund Type</u>
Taxes	\$ 2,503,226	\$ 2,502,301	\$ 925	\$
In Lieu Tax Payments	45,478	45,478		
Excess Fees	156,538	156,538		
License and Permits	96,331	96,331		
Intergovernmental Revenues	2,826,599	2,127,403	699,196	
Charges for Services	10,976	10,976		
Miscellaneous Revenues	108,246	108,246		
Interest Earned	72,443	47,010		25,433
Total Operating Revenue	<u>\$ 5,819,837</u>	<u>\$ 5,094,283</u>	<u>\$ 700,121</u>	<u>\$ 25,433</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

ROWAN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,012,739	\$ 945,517	\$ 67,222
Protection to Persons and Property	967,821	919,987	47,834
General Health and Sanitation	141,629	125,412	16,217
Social Services	28,913	24,349	4,564
Recreation and Culture	79,827	73,806	6,021
Roads	1,466,147	1,452,287	13,860
Airports	212,513	30,888	181,625
Bus Service	15,200	15,200	
Debt Service	51,804	51,804	
Capital Projects	38,378	38,378	
Administration	863,749	606,151	257,598
Total Operating Budget - All General Fund Types	\$ 4,878,720	\$ 4,283,779	\$ 594,941
Other Financing Uses:			
Transfers to County of Rowan			
Properties Corporation Fund			
Principal	417,355	417,355	
Interest	151,967	151,932	35
Kentucky Association of Counties			
Leasing Trust - Principal	195,000	195,000	
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$ 5,643,042	\$ 5,048,066	\$ 594,976

ROWAN COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 1,700	\$ 1,604	\$ 96
General Health and Sanitation	457,600	393,224	64,376
Capital Projects	371,200	297,972	73,228
Administration	32,848	8,000	24,848
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 863,348</u>	<u>\$ 700,800</u>	<u>\$ 162,548</u>

CAPITAL PROJECTS FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Roads	\$ 24,665	\$ 24,665	\$
Capital Projects	1,968,269	1,927,299	40,970
TOTAL BUDGET - CAPITAL PROJECTS FUND TYPE	<u>\$ 1,992,934</u>	<u>\$ 1,951,964</u>	<u>\$ 40,970</u>

SCHEDULE OF COUNTY OF ROWAN
PROPERTIES CORPORATION FUND EXPENDITURES

ROWAN COUNTY
SCHEDULE OF COUNTY OF ROWAN
PROPERTIES CORPORATION FUND EXPENDITURES

Fiscal Year Ended June 30, 2000

<u>Expenditure Items</u>	<u>Amount</u>
Loan Interest	\$ 3,433
Trustee Fees	<u>500</u>
Total	<u><u>\$ 3,933</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary,

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Clyde A. Thomas, Rowan County Judge/Executive

Members of the Rowan County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Rowan County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated December 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rowan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rowan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 6, 2000

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary,

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Clyde A. Thomas, Rowan County Judge/Executive

Members of the Rowan County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Rowan County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. Rowan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rowan County's management. Our responsibility is to express an opinion on Rowan County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rowan County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rowan County's compliance with those requirements.

In our opinion, Rowan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Rowan County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rowan County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed –
December 6, 2000

FINDINGS AND QUESTIONED COSTS

ROWAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2000

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Rowan County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Rowan County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Rowan County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Rowan County reported in Part C of this schedule.
7. The programs tested as major programs were: Appalachian Regional Commission Water Storage Project and 2000 Flood Damage
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Rowan County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROWAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grant-Clearfield Creek Sewer Expansion (CFDA #14.228)	B-95-DC-21-0001	\$ 305,972
<u>U.S. Appalachian Regional Commission</u>		
Appalachian Regional Agency Rural Development:		
Appalachian Regional Commission Water Storage Project (CFDA #23.002)	Not Available	\$ 393,224
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Office of Community Oriented Policing Services Grants-		
Universal Hiring Program (CFDA #16.710)	023754	\$ 64,122
More 98 Award (CFDA #16.710)	035111	6,636
In Schools (CFDA #16.710)	037928	10,143
Office of Justice Programs Community Watch Program (CFDA #16.579)	5731-N4-3/98	10,113
Total U.S. Department of Justice		\$ 91,014

ROWAN COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2000
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency		
Assistance Grants-		
Coordinator Salary		
(CFDA #83.503)	Not Available	\$ 5,365
2000 Flood Damage		
(CFDA #83.516)	FEMA-1320-DR-KY	<u>132,405</u>
Total U.S. Federal Emergency Management Agency		<u>\$ 137,770</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 927,980</u></u>

ROWAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE

ROWAN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

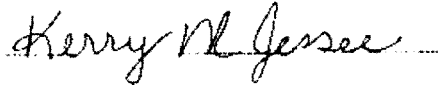
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
ROWAN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Rowan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Clyde A. Thomas".

County Judge/Executive

A handwritten signature in black ink, appearing to read "Kerry M. Jesse".

County Treasurer